

## **DECISION MEMORANDUM**

**TO: COMMISSIONER KJELLANDER  
COMMISSIONER REDFORD  
COMMISSIONER SMITH  
COMMISSION SECRETARY  
COMMISSION STAFF  
LEGAL**

**FROM: KRISTINE SASSER  
DEPUTY ATTORNEY GENERAL**

**DATE: JULY 24, 2014**

**SUBJECT: ROCKY MOUNTAIN POWER'S APPLICATION FOR APPROVAL OF A  
PPA WITH LOWER VALLEY ENERGY, CASE NO. PAC-E-14-06**

On July 3, 2014, PacifiCorp dba Rocky Mountain Power filed an Application with the Commission requesting that the Commission approve a Power Purchase Agreement between Rocky Mountain Power and Lower Valley Energy, Inc. for the sale and purchase of electric energy produced by the Lower Valley hydroelectric project located in Afton, Wyoming.

### **BACKGROUND**

Lower Valley owns, operates and maintains three run of river hydroelectric generating facilities in Lincoln County, Wyoming – two are located on Swift Creek and one is located on the culinary water system located in/near the town of Afton. The Swift Creek facilities were completed in 2009 and have maximum capacities of 940 kW (the “Upper Facility”) and 535 kW (the “Lower Facility”). The third facility – the “Culinary Facility” – has a nameplate capacity of 225 kW.

On May 22, 2009, PacifiCorp and Lower Valley entered into a Power Purchase Agreement (PPA) regarding the Upper Facility for a three year term, expiring on May 1, 2012. The Commission approved the PPA in July 2009. Order No. 30864. In February 2010, the Company and Lower Valley executed a Revised and Restated Power Purchase Agreement to include generation from the Lower Facility. The Commission approved the revised Agreement on February 25, 2010, by Minute Order. In May 2011, PacifiCorp and Lower Valley sought another revision of the PPA. The parties requested that the Commission add output from the newly constructed Culinary Facility and extend the term of the entire contract through September 1, 2014. The Commission approved the addition of the Culinary Facility and extension of the contract term on August 10, 2011. Order No. 32323.

## THE AGREEMENT

PacifiCorp and Lower Valley executed an Agreement on June 17, 2014, pursuant to the terms and conditions of the various Commission Orders applicable to this PURPA agreement for a hydroelectric resource. Under the terms of the PPA, Lower Valley elected to contract with Rocky Mountain for a two-year term using non-levelized published avoided cost rates established at the time of the PPA under Order No. 32817 for energy deliveries of less than 10 average megawatts (aMW).

The nameplate rating of the facilities as a whole is 1.7 MW. Lower Valley has attested and documented through its generation profile that its facilities will not exceed 10 aMW on a monthly basis. Should the facilities exceed 10 aMW on a monthly basis, Rocky Mountain will accept the energy that does not exceed the maximum facility delivery rate (inadvertent energy), but will not purchase or pay for the inadvertent energy. Furthermore, this PURPA agreement includes the 90-110 performance band as required by Commission Order No. 29632.

PURPA QF generation must be designated as a network resource on Rocky Mountain's system, which requires the Company's merchant function to submit a Transmission Service Request on behalf of the facilities to PacifiCorp transmission. Submission of this request occurred on May 29, 2014. Upon resolution of any and all required upgrades, if necessary, to acquire network transmission capacity for the facilities delivery of energy and upon execution of the PPA, the facilities may then be designated as a network resource.

Lower Valley has also been made aware of and accepted the provisions of the PPA regarding curtailment or disconnection of its facilities should certain operating conditions develop on the Company's system. Section 6 of the PPA defines the condition for curtailment and obligations of Lower Valley in the event of curtailment.

By its own terms, the Agreement will not become effective until the Commission has approved all of the terms and conditions and declares that all payments made by Rocky Mountain Power to the project for purchases of energy "are just and reasonable, in the public interest, and that the costs incurred by [Rocky Mountain Power] for purchases of capacity and energy from [Lower Valley] are legitimate expenses, all of which the Commission will allow [Rocky Mountain Power] to recover in rates in Idaho in the event other jurisdictions deny recovery of their proportionate share of said expenses." Agreement ¶ 2.1.

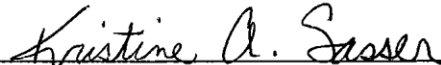
Rocky Mountain Power requests that its Application be processed by Modified Procedure.

### **STAFF RECOMMENDATION**

Staff recommends that the case be processed by Modified Procedure with comments due no later than August 19, 2014.

### **COMMISSION DECISION**

Does the Commission wish to process this case under Modified Procedure with a comment deadline of August 19, 2014?

  
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Kristine A. Sasser  
Deputy Attorney General

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